

DATE: May 23, 2000

TO: Region Engineers
Region Associate Delivery Engineers

FROM: C. Thomas Maki
Chief Operations Officer

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SUBJECT: Bureau of Highway Instructional Memorandum 2000-05
Processing Contract Modifications - FieldManager 3.0

This Instructional Memorandum replaces BOH IM. 1999-14, *Processing of Contract Modifications*, when FieldManager version 3.0 is installed in a project office.

This instructional memorandum changes procedures in processing contract modifications using the enhancements of FieldManager Version 3.0. In most cases, the approved contract modification, under Version 3.0, is no longer required to be sent to Lansing for authorization into the Construction Administration System. FieldManager Version 3.0 now supports the previously established change in the contract modification process.

Benefits to the Contract Modification Process With the Release of FieldManager 3.0

The two major contract modification processing benefits with FieldManager 3.0 are:

- All contract modification approvals will be coded in FieldManager instead of CAS. CAS will then be updated by using the approval information processed by FieldManager.
- Once a contract modification has been approved on FieldManager, offices can immediately follow up with an estimate.

Processing of Pending FieldManager 2.1d Contract Modifications

In most cases, offices will have contract modifications pending in FieldManager 2.1d when they are converted to FieldManager 3.0:

- Contract modifications that have not been sent to the **Construction and Technology Division's Construction Contract Unit** will be approved on FieldManager 3.0.
Note: Make sure the contract modifications establishing extras and adjustments are approved in CAS before approving subsequent contract modifications that include increases and decreases to these items in FieldManager 3.0.
- Pending FieldManager 2.1d contract modifications that have been sent to the Construction Contract Unit will be approved in CAS the same as before.
- Offices will continue to E-mail the electronic UPD files for contract modifications to ContMods.

Procedures for Processing Contract Modifications

The region's engineer (herein defined as the region delivery, project, resident or consultant engineer as the "responsible engineer" in charge) will check MDOT administered contracts to assure that contract modifications do not exceed State Administration Board limits. In the case of local agency contracts, the local agency engineer will be responsible for making these checks. If the contract modification exceeds State Administrative Board limits, the contract modification shall be processed as noted under **"Contract Modifications that Require State Administration Board Approvals"** found later in this document.

State Administrative Board Criteria for Contract Modifications

The project office will only have to track the balance of extra items for State Administrative Board limits. Contract change limits for the bid items will be tracked automatically by the Contracts Payments Section and will notify the Lansing Contract Administration Unit if the project is in overrun status.

Contract Changes:

Original Contract Price	Changes to Contract Requiring State Administrative Board Approval
\$25,000 or less	Total cumulative change is greater than 25% of original contract price
\$25,000 to \$49,999	Total cumulative change is greater than 15% of original contract price
\$50,000 and greater	Total cumulative change is greater than 10% of original contract price

Contract Extras and Adjustments:

Original Contract Price	Extras and Adjustments Requiring State Administrative Board Approval
\$0 to \$800,000	Total cumulative extras and adjustments exceeds \$48,000 per contract
\$800,000 and greater	Total cumulative extras and adjustments equals 6% or greater of original contract price or Any individual extra or adjustment that is greater than \$100,000

NOTE:

1. Adjustments are included with extras to determine dollar amount criteria for Ad Board.
2. All adjustments that are contract mandated, such as price adjustments for incentives, are **NOT** to be included with extras to determine dollar amount criteria for Ad Board.

3. Increases and decreases to extras and adjustments are to be included in the "Contract Extras and Adjustments" dollar limit criteria for Ad Board.
4. Explanations must be included for line item changes of more than \$10,000 and for the establishment of all extras and adjustments. At a minimum, the explanation must indicate where the work was done, what was done, why it was needed, how the cost was determined, and a note showing any preapprovals.

Contract Modification Approval Path

For MDOT administered contracts:

- The MDOT region's engineer will prepare the contract modification and sign under the "Recommend By" line block.
- The original contract modification will be forwarded to the contractor for review and signature.
- Contractors will return the original signed contract modification to the MDOT region's engineer. If not required by the contractor within 21 calendar days, engineers will continue processing the contract modification.
- The MDOT region's engineer forwards the contract modification to the TSC manager.
- The TSC manager will sign the "Authorized By:" block and send the contract modification back to the MDOT region's engineer.
- The MDOT region's engineer updates FieldManager with the approval.

For MDOT contracts administered by consultants:

- Consultant engineer will prepare the contract modification and sign the "Prepared by" box.
- The consultant engineer will fax the contract modification to the MDOT region's engineer for review.
- The MDOT region's engineer has seven calendar days to review and respond to the contract modification by initialing the "Recommend By" block and faxing it back to the consultant engineer. The consultant engineer shall type the region engineer's name in the "Recommended By" block and date when a response is received. If the contract modification is not returned to the consultant engineer within seven days, the consultant engineer shall proceed to the next step.
- The consultant will forward the contract modification to the contractor for signature.
- The contractor will return the original signed contract modification to the consultant engineer. If not returned by the contractor within 21 calendar days, engineers will continue processing the contract modification.
- Consultant engineers will continue the process by forwarding the contract modification to the MDOT region's engineer for review and recommendation for approval by the TSC manager.
- The TSC manager will sign the "Authorized By:" block and return the contract modification to the consultant engineer for approval on FieldManager.

For Local Government contracts:

- The local agency engineer (or local agency consultant engineer) will prepare the contract modification, sign the "Recommended By:" block and forward to the contractor for approval. If not returned by the contractor within 21 calendar days, engineers will continue processing the contract modification.
- Once returned from the contractor, the local agency engineer will forward the contract modification to the MDOT region's engineer for review and recommendation and for approval by the TSC manager.
- If acceptable, the TSC manager will sign the contract modification in the "Authorized By:" block and return it to the local agency for approval on FieldManager.

Copies

After any contract modification is entered into FieldManager as authorized, a clean clear copy of the authorized contract modification shall be sent to:

MDOT-Construction and Technology Division
Construction Contract Unit
8885 Ricks Road
P.O. Box 30049
Lansing, MI 48909

Copies can be sent in groups. There is no need to send these in individually.

Procedures for Processing Contract Modifications Requiring FHWA Approval

FHWA exempt projects will continue to be approved and signed by the region's engineer. FHWA must approve all contract modifications containing **extras** on "Non-Exempt" projects. Contract modifications that have **changed contract items** only do not need FHWA approval, but require the region's engineer signature in the FHWA block. The FHWA also must approve "extension of time" contract modifications for federally funded projects that include an incentive/disincentive provision with FHWA participation. Preliminary contact by the MDOT region's engineer or TSC manager with the FHWA area engineer concerning the contract modification will expedite the process. Please document any preapproval agreements with FHWA on the contract modification.

For contract modifications requiring FHWA approval, the originating office will continue to send the original to the Construction and Technology Division's Construction Contract Unit. The Construction Contract Unit will forward it to the FHWA for approval. Print on the top of the contract modification **"Requires FHWA Approval."** Once approved by the FHWA, the Construction Contract Unit will send the contract modification back to the originating office to be approved on FieldManager. Once approved into FieldManager, a clean clear copy shall be sent to the Construction Contracts Unit in Lansing.

The FHWA has seven calendar days to review and approve for federal participation. If not returned from FHWA after seven calendar days, the Construction Contract Unit will notify the originating office to approve the contract modification.

Contract Modifications Requiring State Administrative Board Approvals**Extras**

An extra requiring State Administrative Board approval will continue to be submitted to the Construction and Technology Division's Construction Contract Unit for processing. The contract modification must provide complete and accurate information. The written explanation, taken from the contract modification, will be used as the justification for State Administrative Board approval. The explanation must include what is being proposed, where it is needed, why it is needed, how the cost is determined, and who is participating in the costs.

The TSC manager will authorize by signing the contract modification.

The region's engineer or TSC manager must print across the top of the contract modification **"Requires State Administrative Board Approval."** The Construction Contract Unit will compose the Administrative Board writeup from the contract modification. The Construction Contract Unit will E-mail the write up to the TSC manager for review and approval by return E-mail.

The item(s) will be placed on the next available State Transportation Commission (if required) and State Administrative Board agendas by the Construction and Technology Division's Construction Contract Unit. The TSC manager may be required to attend the State Transportation Commission meeting and answer questions concerning the item(s). Once the contract modification has been approved by the State Administrative Board, it will be posted, stamped and dated by the Construction Contract Unit with the State Administrative Board approval date.

Approval **must not** take place on FieldManager until the originating office is notified by the Construction Contract Unit of the State Administrative Board approval. The approved contract modification will be returned to the originating engineer for approval on FieldManager. Once approved into FieldManager, a clean clear copy shall be mailed to the Construction Contracts Unit in Lansing.

Overruns

The Financial Services Division will notify the Construction and Technology Division's Construction Contract Unit when a project is in overrun status. The Construction Contract Unit will contact the region's engineer to determine if the project will need State Administrative Board approval (i.e., all contract modifications have been processed). The region's engineer will assist in providing the Construction Contract Unit with the details necessary to prepare the writeup.

The overrun request will be placed on the earliest State Transportation Commission (if required) and Administrative Board agendas. The TSC manager may be required to attend the State Transportation Commission meeting and answer questions. Once approved by the State Administrative Board, the Financial Services Division will increase the contract budget. Payments that were held will then be released.

Please refer to the State Transportation Commission and State Administrative Board meeting schedules to be aware of critical dates.

There is no need to mark contract modifications with only change items in overrun status as needing to go to Ad-Board.

State Transportation Commission Approvals

Not all State Administrative Board contract modifications need State Transportation Commission approval. The new limits requiring State Transportation Commission approvals are:

Extras: Ten percent cumulative over the contract amount for extras that have not previously gone to the State Administrative Board. Also any individual extra over \$250,000 needs State Transportation Commission approval.

Overruns: Fifteen percent over the contract amount for regular work items.

An increased or extra pay item that is 100 percent local agency funded does not require State Transportation Commission approval.

The TSC manager will add a note to the State Administrative Board notification statement on top of the contract modification, "**and STC approval,**" if required.

This Bureau of Highway Instructional Memorandum is based on the current FieldManager technology. This memorandum will be revised to reflect technology upgrades in future versions of FieldManager.

Please contact Rod Collins at 517-322-6630 for further information.

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BOHTS:C/T:RDC:kab

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